

Message Text

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ACTION ARA-10

INFO OCT-01 AF-10 EA-07 ISO-00 EB-08 COME-00 INT-05
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FM AMEMBASSY SANTO DOMINGO

TO SECSTATE WASHDC 486

INFO AMEMBASSY CANBERRA

AMEMBASSY CONAKRY

AMEMBASSY GEORGETOWN

AMEMBASSY KINGSTON

AMEMBASSY PORT AU PRINCE

AMCONSUL PARAMARIBO

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E.O. 11652 ,X-

TAGS: EINV, EMIN, DR

SUBJECT: BAUXITE: ALCOA AND GODR REACH ACCORD

REF: A) SANTO DOMINGO A-17, B) 75 SANTO DOMINGO 5073, C) 75

XANTO DOMINGO 4465, D) 75 SANTO DOMINGO 3976

BEGIN SUMMAR: ALCOA AND GODR WILL SIGN A NEW BAUXITE EXPLOITATION
CONTRACT ON MAY 2 FOR CY 1977. AGREEMENT INCREASES BASE PRICE PAID
BY ALCOA TO GODR FROM \$12.45 PER BONE DRY METRIC TON (BDMT) TO
\$15.84 PER BDMT. ROYALTY PAYMENTS RAISE GODR'S PER TON INCOME TO
\$16.39. NEGOTIATIONS CONTINUE ON THREE-YEAR PACT FOR 1978-80.
END SUMMARY.

1. IN CONVERSATION WITH EMBOFFS, A LOCAL ALCOA OFFICIAL STATED
THAT NEGOTIATIONS BETWEEN COMPANY REPRESENTED BY VICE PRESIDENT
CHARLES W. PARRISH AND LOCAL MANAGER PATRICK HUGHSON, AND GODR
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BZUXITE COMMISSION COMPOSED OF VICTOR GOMEZ BERGES, SECRETARY OF
FINANCE; JULY CAMPILLO PEREZ, SECRETARY OF INDUSTRY AND
COMMERCE; AND ROBERTO MARTINEZ, EXECUTIVE DIRECTOR OF CEDOPEX;
HAD BEGUN WITH BOTH SIZE SEEKING FOUR-YEAR CONTRACT. WITH
CONSENSUS REACHED ON TERMS OF 1977 CONCESSION, HOWEVER, PARTIES
AGREED TO SIGN ONE-YEAR CONTRACT AND CONTINUE NEGOTIATIONS FOR
1978-80 PERIOD. ALCOA REPRESENTATIVE STRESSED THAT COMPANY

EXPECTS NEGOTIATIONS TO CULMINATE IN PACT THROUGH 1980. THERE ARE NO MAJOR OBSTACLES, BUT IN VIEW OF AGREEMENT ON 1977 PRICES, GODR WISHES TO FORMALIZE THAT CONTRACT IN ORDER TO BEGIN IMMEDIATELY RECEIVING INCREASED INCOME FROM PACT WHICH WILL BE RETROACTIVE TO JANUARY 1, 1977. LAST CONCESSION CONTRACT HAD EXPIRED DECEMBER 31, 1976.

2. IN NEW AGREEMENT, RATE OF RETURN TO GODR PER TON OF BONE DRY BAUXITE EXPORTED IS CALCULATED BY TAKING THE CURRENT WORLD MARKET PRICE OF ALUMINUM PER POUND (NOW 48 CENTS) AND MULTIPLYING BY FACTOR OF 33 WHICH YIELDS \$15.84 PER BDMT. A 55-CENT ROYALTY PAYMENT BRINGS FINAL TOTAL OF \$16.39. SIMPLE FACTOR FIGURE OF 33 REPLACES PREVIOUS CALCULATING FORMULA WHICH MULTIPLIED 2000 (LBS./SHORT TON) BY GODR LEVY OF 7.7 PERCENT, THEN DIVIDED RESULT BY 4.8 (RICHNESS OF ORE) WHICH WAS CALCULATION FOR CONVERTING DOMINICAN BAUXITE INTO ALUMINUM. WERE FORMULA STILL IN USE, BASE PRICE WOULD BE SOMEWHAT LOWER. ALCOA AIM, HOWEVER, IS TO INSTITUTIONALIZE FACTOR OF 33 IN FUTURE CONTRACTS, RATHER THAN CONSTANTLY RENEGOTIATING THE PERCENTAGE OF GODR LEVY. GODR APPARENTLY STILL WISHES TO INCREASE PERCENTAGE OF LEVY EVEN THOUGH SUCH INCREASES THREATEN TO MAKE BAUXITE MINING UNECONOMICAL FOR ALUMINUM COMPANIES. ACCEPTABILITY TO GODR OF BOTH ALUMINUM BASE PRICE AND FIXED CALCULATION FACTOR IS ONE ISSUE WHICH HAS NOT BEEN RESOLVED IN NEGOTIATIONS FOR THREE-YEAR PACT.

3. ACCORDING TO ALCOA OFFICIAL THE \$16.39 PER BDMT TO BE PAID TO THE GODR IS HIGHER THAN THOSE AMOUNTS PAID TO ALL OTHER BAUXITE-PRODUCING NATIONS IN THE CARIBBEAN WITH THE EXCEPTION OF LIMITED OFFICIAL USE

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JAMAICA. HAITI, FOR EXAMPLE, RECEIVES \$14 PER BDMT WHILE SURINAM RECEIVES SOME SIX DOLLARS PER TON LESS. THE GODR INCOME IS ALSO NOTABLY BETTER THAN THAT OF GUYANA WHICH, THOUGH THE BAUXITE MINED THERE IS CONSIDERED OF BETTER QUALITY THAN DR BAUXITE, RECEIVES ONLY \$12 PER BDMT FOR ITS MINERAL.

4. THE 1977 AGREEMENT CONTAINS A CLUSE WHICH CALLS FOR EXPORTATION OF A MINIMUM OF 625,000 BDMT. ALTHOUGH THAT AMOUNT IS CONSIDERABLY ABOVE 1976 SHIPMENTS OF 516,000 BDMT, IT IS ALMOST EQUAL TO LAST YEAR'S ACTUAL PRODUCTION OF 621,000 AND INFERIOR TO SHIPMENTS IN 1974 AND 1975. ASSUMING SHIPMENTS OF 625,000 BDMT'S INCOME FOR THE GODR WOULD AMOUNT TO SOME \$10,300,000, AN INCREASE OF 66 PERCENT OVER 1976 GODR BAUXITE REVENUES.

5. IN THE CURRENT NEGOTIATIONS, AS IN ALL PREVIOUS ALCOA-GODR TALKS, THE GOVERNMENT CONTINUES TO SHOW NO INTEREST IN GAINING AN EQUITY IN THE CONCERN.

6. NO REFERENCE AT ALL IS MADE IN THE NEW CONTRACT TO FURTHER

STUDY OR POTENTIAL RESERVES AND POSSIBLE CONSTRUCTION OF AN
ALUMINA PLANT, AND IT APPEARS THAT THE GODR HAS LOST INTEREST
IN THAT PROJECT WHICH WAS NEVER CONSIDERED VERY FEASIBLE ANYWAY.
FOR PUBLIC CONSUMPTION, HOWEVER, THE GODR MAY HAVE TO GO THROUGH
THE MOTIONS OF MAINTAINING THE PROJECT "UNDER STUDY."
HURWITCH

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